

# SULLIVAN & CROMWELL LLP

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March 6, 2003

Donald Abelson,  
Chief, International Bureau,  
Federal Communications Commission,  
445 12th St., S.W.,  
Washington, DC 20554.

Re: Petitions for Protection from Whipsawing on the  
US-Philippines Route (IB Docket No. 03-38)  
*Ex Parte* Presentation  
Philippine Long Distance Telephone Company ("PLDT")

Dear Mr. Abelson:

We hereby submit for the record of this proceeding a letter dated March 4, 2003, sent to PLDT by AT&T in response to PLDT's suggestion that the companies enter into negotiations to reach an interim agreement. In response, AT&T states categorically that it has not and will not consider agreeing to an increase in PLDT's termination rates above 8 cents per minute, since it is "pointless to agree to 'consider' an increase when AT&T has no intention to actually agree to such an increase."

PLDT started negotiating in good faith with AT&T in May 2002. Unfortunately, the AT&T letter confirms that this has been a waste of time and that all AT&T has been doing is attempting to set up PLDT for a "whipsawing" complaint to the FCC.

While AT&T says that its refusal to negotiate is consistent with the FCC's "overarching" policy and objectives on international rates, in fact the FCC's policy is intended to create the conditions for good faith, commercial negotiations in competitive markets. This letter demonstrates, by AT&T's own words, that it has not and will not engage in any true commercial negotiation with PLDT, but merely seeks to use the authority of the FCC to bludgeon PLDT into accepting AT&T's unreasonable terms.

Donald Abelson  
March 6, 2003

- 2 -

Respectfully submitted,

PHILIPPINE LONG DISTANCE  
TELEPHONE COMPANY

By:   
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Donald Abelson  
March 6, 2003

- 3 -

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March 4, 2003

Ramon Alger P. Obias  
PLDT  
Vice President  
International Business  
9/F Ramon Cojuangco Building  
Makati Avenue, Makati City, 0721 Philippines  
Fax: 632-812-2808

Dear Mr. Obias,

I am in receipt of your e-mail dated March 3, 2002 to Rom Carlos of AT&T concerning reaching an interim rate agreement with AT&T. In addition, Mr. Carlos has informed me of the general terms of the proposed interim agreement.

You have requested AT&T inform you that it would be "open and willing to consider the payment of higher termination rates to PLDT" as a pre-condition to formal discussions on the interim agreement. I could respond to you agreeing to such a request. However, that would be misleading and unfair to PLDT. AT&T would like to approach these negotiations in an honest manner. AT&T has already informed the Philippine carriers that it is not willing to increase the last-expired termination rates. Therefore, it would be pointless to agree to "consider" an increase when AT&T has no intention to actually agree to such an increase. Moreover AT&T's viewpoint is consistent with the FCC's overarching policy and objectives on low cost based international termination rates.

At some point, we hope and expect AT&T and PLDT will reach a new agreement on termination rates. In the interim, AT&T is willing to pay an interim rate to PLDT. However, as PLDT has already agreed with WorldCom on an interim rate, AT&T expects that PLDT would not discriminate against AT&T, and offer AT&T a similar arrangement.

AT&T suggests, that as a sign of good faith and to get negotiations restarted that PLDT immediately unblock our bilateral circuits and that the parties extend the terms of the last-expired agreement on an interim basis. AT&T will make a pre-payment to PLDT in a similar manner as in the past. During the period of the interim agreement the parties will negotiate toward a mutually acceptable new agreement. Upon execution of the new agreement, the terms shall be retroactive to February 1, 2003. Any adjustments

necessary to true-up the differences in the interim agreement and the new agreement will be made.

AT&T hopes to retain our partnership and hopes to normalize our business relationship so that we can begin to concentrate on new business between our respective companies. AT&T looks forward to your concurrence.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mark Miller". The signature is fluid and cursive, with the first name "Mark" and last name "Miller" clearly distinguishable.

Mark Miller